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M O N E Y :

A LECTURE

DELIVERED BEFORE THE NEW YORK

Geographical and Statistical Society,

THURSDAY, FEBRUARY, 1857.

BY HENRY C. CAREY.

REPRINTED FROM THE MERCHANTS' MAGAZINE FOR APRIL, 1857.

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MONEY.

1. THE single commodity that is of universal request is money. Go where we may, we meet persons seeking commodities required for the satisfaction of their wants, yet widely differing in their demands. One needs food; a second, clothing; a third, books, newspapers, horses, or ships. Many desire food, yet while one would have fish, another rejects the fish and seeks for meat. Offer clothing to him who sought for ships, and he would prove to have been supplied. Place before the seeker after silks, the finest lot of cattle, and he will not purchase. The woman of fashion rejects the pantaloons; while the porter regards her slipper as wholly worthless. Of all these people, nevertheless, there would not be found even a single one unwilling to give labor, attention, skill, houses, bonds, lands, horses, or whatever else might be within his reach, in exchange for money—provided, only, that the quantity offered were deemed sufficient.

So has it been in every age, and so is it everywhere. Laplander and Patagonian, almost the antipodes of each other, are alike in their thirst after the precious metals. Midianite merchants paid for Joseph with so many pieces of silver. The gold of Macedon bought the services of Demosthenes; and it was thirty pieces of silver that paid for the treason of Judas. African gold enabled Hannibal to cross the Alps; as that of Spanish America has enabled France to subjugate so large a portion of Northern Africa. Sovereigns in the East heap up gold as provision against future accidents; and finance ministers in the West, rejoice when their accounts enable them to exhibit a full supply of the precious metals. When it is otherwise the highest dignitaries are seen paying obsequious court to the Rothschild and the Baring, controllers of the supply of money. So, too, when railroads are to be made, or steamers to be built. Farmers and contractors, landowners, and stockholders, then go, cap in hand, to the Cæsars of Paris and London, anxious to obtain a hearing, and desiring to propitiate the man of power by making whatsoever sacrifice may seem to be required.

2. Were a hundred ships to arrive in your port to-morrow, a single one of which was freighted with gold, she alone would find a place in the editorial columns of your journals—leaving wholly out of view the remaining ninety-nine, freighted with silks and teas, cloth and sugar. The news, too, would find a similar place in almost all the journals of the

Union, and for the reason, that all their readers, the "bears" excepted, so much rejoice when money comes in, and so much regret when it goes out. Of all the materials of which the earth is composed, there are none so universally acceptable as gold and silver—none in whose movements so large a portion of every community feels an interest.

Why is this the case? Because of their having distinctive qualities that bring them into direct connection with the distinctive qualities of man—facilitating the growth of association, and promoting the development of individuality. They are the *indispensable* instruments of society, or commerce.

That they *are* so, would seem to be admitted by those journalists when giving to their movements so much publicity; and yet, on turning to another column, you would probably find it there asserted, that all this anxiety in regard to money was evidence of ignorance—the condition of man being improved by parting with gold that he can neither eat, drink, nor wear, in exchange for sugar that he *can* eat, and cloth that he *can* wear. Such may be the case, says one reader, but, for my part, I prefer to see money come in, because when it does so, I can borrow at six per cent.; whereas, when it is going out, I have to pay ten, twelve, or twenty. This is doubtless true, says another, but I prefer to see money arrive—being then able to sell my hats and shoes, and to pay the people who make them. It may be evidence of ignorance, says a third, but I always rejoice when money flows inwards, for then I can always sell my labor; whereas, when it flows outwards, I am unemployed, and my wife and children suffer for want of food and clothing. Men's natural instincts look, thus, in one direction, while mock science points in another. The first *should* be right, because they are given of God. The last *may* be wrong—being one among the weak inventions of man. Which is right, we may now inquire.

3. The power of man over matter is limited to effecting changes of place and of form. For the one he needs wagons, horses, ships, and railroads; for the other, spades, plows, mills, furnaces, and steam-engines. Among men, changes of ownership are to be effected, and for that purpose they need some general medium of circulation.

The machinery of exchange in use is, therefore of three kinds—that required for producing changes of place, that applied to effecting changes of form, and that used for effecting changes of ownership; and were we now to examine the course of proceeding with regard to them, we should find it to be the same in all—thus obtaining proof of the universality of the natural laws to whose government man is subject. For the present, however, we must limit ourselves to an examination of the phenomena of the machinery of circulation.

In the early periods of society, man has little to exchange, and there are few exchanges—those which are made being by direct barter—skins being given for knives, clothing, meat, or fish. With the progress of population and wealth, however, all communities have endeavored to facilitate the transfer of property, by the adoption of some common standard with which to compare the value of the commodities to be exchanged—cattle having thus been used among the early Greeks—while slaves and cattle, or "living money," as it was then denominated, were commonly in use

among the Anglo-Saxons—wampum among our aborigines—codfish among the people of New England—and tobacco among those of Virginia. With further progress, we find them adopting successively iron, copper, and bronze, preparatory to obtaining silver and gold, to be used as the machinery for effecting exchanges from hand to hand.

For such a purpose, the recommendations of those metals are very great. Being scantily diffused throughout the earth, and requiring, therefore, much labor for their collection, they represent a large amount of value—while being themselves of little bulk, and therefore capable of being readily and securely stored, or transported from place to place. Not being liable to rust or damage, they may be preserved uninjured for any length of time, and their quantity is, therefore, much less liable to variation than is that of wheat or corn, the supply of which is so largely dependent upon the contingencies of the weather. Capable of the most minute subdivision, they can be used for the performance of the smallest as well as the largest exchanges; and we all know well how large an amount of commerce is effected by means of coins of one and of three cents that would have to remain unaffected; were there none in use of less value than those of five, six, and ten cents.

To facilitate their use, the various communities of the world are accustomed to have them cut into small pieces and weighed, after which they are so stamped as to enable every one to discern at once how much gold or silver is offered in exchange for the commodity he has to sell; but the value of the piece is in only a very slight degree due to this process of coinage.* In the early periods of society, all the metals passed in lumps, requiring of course, to be weighed; and such is now the case with much of the gold that passes between America and Europe. Gold dust has also to be weighed, and allowance has to be made for the impurities with which the gold itself is connected; but with this exception, it is of almost precisely the same value with gold passed from the mint and stamped with an eagle, a head of Victoria, or of Nicholas.

4. A proper supply of those metals having been obtained, and this having been divided, weighed, and marked, the farmer, the miller, the clothier, and all other members of society, are now enabled to effect exchanges, even to the extent of purchasing for a single cent their share of the labors of thousands, and tens of thousands, of men employed in making railroads, engines, and cars, and transporting upon them annually hundreds of millions of letters; or, for another cent, their share of the labor of the hundreds, if not thousands, of men who have contributed to the production of a penny newspaper. The mass of small coin is thus a *saving fund* for labor, because it facilitates association and combination—giving utility to billions of millions of minutes that would be wasted, did not a demand exist for them at the moment the power to labor had been produced. Labor being the first price given for everything we value, and

* The heap of paper in the mill becomes slightly more valuable when it is counted off and tied up in reams, and the heap of cloth is in like manner increased in value when it is measured and tied up in pieces, for the reason that both can be more readily exchanged. Precisely similar to this is the increase of value resulting from the process of coinage.

being the commodity that all can offer in exchange, the progress of communities in wealth and influence is in the direct ratio of the presence or absence of an *instant* demand for the forces, physical and mental, of each and every man in the community—resulting from the existence of a power on the part of each and every other man, to offer something valuable in exchange for it. It is the only commodity that perishes at the instant of production, and that, if not then put to use, is lost forever.

We are all momentarily producing labor-power, and daily taking in the fuel by whose consumption it is produced; and that fuel is wasted unless its product be on the instant usefully employed. The most delicate fruits or flowers may be kept for hours or days; but the force resulting from the consumption of food cannot be kept, even for a second. That the instant power of profitable consumption may be coincident with the instant production of this universal commodity, there must be incessant combination, followed by incessant division and subdivision, and that in turn followed by an incessant recombination. This is seen in the case above referred to, where miners, furnace-men, machine-makers, rag-gatherers, carters, bleachers, paper-makers, railroad and canal men, type-makers, compositors, pressmen, authors, editors, publishers, newsboys, and hosts of others, combine their efforts for the production in market of a heap of newspapers that has, at the instant of production, to be divided off into portions suited to the wants of hundreds of thousands of consumers. Each of these latter pays a single cent—then perhaps subdividing it among half a dozen others, so that the cost is perhaps no more than a cent per week; and yet each obtains his share of the labors of all of the persons by whom it had been produced.

Of all the phenomena of society, this process of division, subdivision, composition, and recombination is the most remarkable; and yet—being a thing of such common occurrence—it scarcely attracts the slightest notice. Were the newspaper above referred to, partitioned off into squares, each representing its portion of the labor of one of the persons who had contributed to the work, it would be found to be resolved into six, eight, or perhaps even ten thousand pieces, of various sizes, small and great—the former representing the men who had mined and smelted the ores of which the types and presses had been composed, and the latter the men and boys by whom the distribution has been made. Numerous as are these little scraps of human effort, they are nevertheless, all combined in every sheet, and every member of the community may—for the trivial sum of fifty cents per annum—enjoy the advantage of the information therein contained; and as fully as he could do, had it been collected for himself alone.

Improvements in the mode of transportation are advantageous to man, but the service they render, when compared with their cost is very small. A ship worth forty or fifty thousand dollars cannot effect exchanges between men at opposite sides of the Atlantic to an extent exceeding five or six thousand tons per annum; whereas, a furnace of similar cost will effect the transmutation of thirty thousand tons' weight of coal, ore, limestone, food, and clothing, into iron. Compared with either of these, however, the commerce effected by the help of fifty thousand dollars' worth

of little white pieces representing labor to the extent of three or five cents—labor which by their help is gathered up into a heap, and then divided and subdivided day after day throughout the year—and it will be found that the service rendered to society, in economizing force, by each dollar's worth of money, is greater than is rendered by hundreds, if not thousands, employed in manufactures, or tens of thousands in ships or railroads; and yet there are able writers who tell us that money is so much "dead capital"—being "an important portion of the capital of a country that produces nothing for the country."

"Money, as money," says an eminent economist, "satisfies no want, answers no purpose. * * The difference between a country with money, and a country altogether without it, would," as he thinks, "be only one of convenience, like grinding by water instead of by hand." A ship, as a ship—a road, as a road—a cotton-mill, as a cotton-mill—in like manner, however, "satisfies no want, answers no purpose." They can be neither eaten, drunk, nor worn. All, however, are instruments for facilitating the work of association, and the growth of man in wealth and power is in the direct ratio of the facility of combination with his fellow-men. To what extent they do so, when compared with money, we may now inquire. To that end, let us suppose that by some sudden convulsion of nature all the ships of the world were at once annihilated, and remark the effect produced. The ship-owners would lose heavily; the sailors and the porters would have less employment; and the price of wheat would temporarily fall; while that of cloth would, for the moment rise. At the close of a single year, by far the larger portion of the operations of society would be found moving precisely as they had done before—commerce at home having taken the place of that abroad. Cotton and tropical fruits would be less easily obtained in Northern climes, and ice might be more scarce in Southern ones; but, in regard to the chief exchanges of a society like our own, there would be no suspension, even for a single instant. So far, indeed, would it be to the contrary, that in many countries commerce would be far more active than it had been before—the loss of ships producing a demand for the opening of mines, for the construction of furnaces and engines, and for the building of mills, that would make a market for labor, mental and physical, such as had never before been known.

Let us next suppose that the ships had been spared, and that all the gold and silver, coined and not coined, mined and not mined, were annihilated, and study the effect that would be produced. The reader of newspapers—finding himself unable to pay for them in beef or butter, cloth or iron—would be compelled to dispense with his usual supply of intelligence, and the journal would be no longer printed. Omnibuses would cease to run for want of sixpences; and places of amusement would be closed, for want of shillings. Commerce among men would be at an end, except so far as it might be found possible to effect direct exchanges, food being given for labor, or wool for cloth. Such exchanges could, however, be few in number, and men, women, and children would perish by millions, because of inability to obtain food and clothing in exchange for service. Cities whose population now counts by hundreds of thousands would, before the close of a single year, exhibit hundreds of blocks

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of unoccupied buildings, and the grass would grow in their streets. A substitute might, it is true, be found—men returning to the usages of those primitive times when wheat or iron, tobacco or copper, constituted the medium of exchange; but under such circumstances, society, as at present constituted, could have no existence. A pound of iron would be required to pay for a *Tribune* or a *Herald*, and hundreds of tons of any of the commodities above referred to, would be needed for the purchase of the weekly emission of either. Tons of them would be needed to pay for the food consumed in a single eating-house, or the amusement furnished in a single theatre; and how the wheat, the iron, the corn, or the copper could be fairly divided among the people who had contributed to the production of the journal, the food, or the amusement, would be a problem entirely incapable of solution.

The precious metals are to the social body what atmospheric air is to the physical one. Both supply the machinery of circulation, and the resolution of the physical body into its elements when deprived of the one is not more certain than is that of the social body when deprived of the other. In both these bodies the amount of force is dependent upon the rapidity of circulation. That it may be rapid, there must be a full supply of the machinery by means of which it is to be effected; and yet there are distinguished writers who mourn over the cost of maintaining the currency, as if it were altogether lost, while expiating on the advantages of canals and railroads—not perceiving, apparently, that the money that can be carried in a bag, and that scarcely loses in weight with a service of half a dozen years, effects more exchanges than could be effected by a fleet of ships, many of which would be rotting on the shores on which they had been stranded, at the close of such a period of service, while the remainder would already have lost half of their original value.*

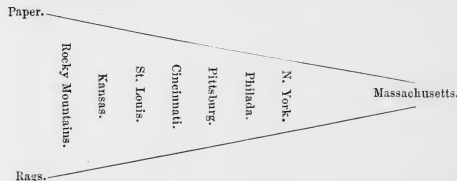
Of all the labor-saving machinery in use, there is none that so much economizes human power, and so much facilitates combination, as that known by the name of money. Wealth, or the power of man to command the services of nature grows with every increase in the facility of combination—this latter growing with the growth of the ability to command the aid of the precious metals. Wealth, then, should increase most rapidly where that ability is most complete.

5. The power of a commodity to command money in exchange is called its PRICE. Prices fluctuate with changes of time and place—wheat being sometimes low, and at others high—and cotton commanding in one country thrice the quantity of silver that would be given for it in another. In one place, much money is required to be given for a little cloth; whereas, in another, much cloth may be obtained for little money. What are the causes of all these differences, and what the circumstances which tend to affect prices generally, we may now inquire.

* A three-cent piece, changing hands ten times in a day, effects exchanges in a year to the extent of \$100; or, if we take both sides of the exchanges, to that of \$200. Two thousand such pieces—costing \$60—engaged in circulating bread at home, are capable of maintaining a greater amount of commerce than can be maintained by a ship that has cost \$30,000, engaged in effecting exchanges between the producers of cloth in Manchester and tea in China.

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A thousand tons of rags at the Rocky Mountains would not exchange for a piece of silver of the smallest conceivable size; whereas, a quire of paper would command a piece so large that it would weigh an ounce. Passing thence eastward, and arriving in the plains of Kansas, their relative values, measured in silver, would be found so much to have changed, that the price of the rags would pay for many reams of the paper. Coming to St. Louis, a further change would be experienced—rags having again risen and paper having again fallen. Such, too, would prove to be the case at every stage of the progress eastward—the raw material steadily gaining, and the finished commodity losing, in price, until, at length, in the heart of Massachusetts, three pounds of rags would be found to command more silver than would be needed for the purchase of a pound of paper. The changes of relation thus observed are exhibited in the following diagram:



The price of raw materials tends to rise as we approach those places in which wealth most exists—those in which man is most enabled to associate with his fellow-man, for obtaining power to direct the forces of nature to his service. The prices of finished commodities move in a direction exactly opposite—tending always to decline as those of raw materials advance. Both tend thus to approximate—the highest prices of the one being always found in connection with the lowest of the other; and in the strength of the movement in that direction will be found the most conclusive evidence of advancing civilization and growing commerce.

That all the facts are in entire accordance with this view, will be obvious to those who remark that cotton is low in price at the plantation, and high in Manchester or Lowell; whereas, cloth is cheaper in Lowell than it is in Alabama or Louisiana. Corn, in Illinois, is frequently so cheap that a bushel is given in exchange for the silver required to pay for a yard of the coarsest cotton cloth; whereas, at Manchester, it is so dear that it pays for a dozen yards. The English farmer profits doubly—obtaining much cloth for his corn, while increasing the quantity of corn by help of the manure that is furnished by his competitor of the West. The latter loses doubly—giving much corn for little cloth, and adding thereto the manure yielded by the consumption of his corn, to the loss of which is due the unceasing diminution of the powers of his land.

Looking backward in time, we obtain results precisely similar to those

obtained in passing from countries in which associated men are found, and in which, consequently, wealth abounds, to those in which they are widely scattered, and in which they are, therefore, weak and poor. At the close of the fifteenth century, eight ecclesiastics, attending the funeral of Anne of Brittany, were royally entertained at a cost of 3.13 francs, of money of our time; while the silk used on that occasion is charged at 25 francs. The same quantity of silk could now be purchased for less than a franc and a half—a sum that would be entirely insufficient to pay for a single dinner. The owner of four quires of paper could then obtain for it more money than was required for the purchase of a hog, and less than two reams were needed for that of a bull. In England, hogs, sheep, and corn were cheap, and were exported, while cloth was dear, and was therefore imported. Coming down to a more recent period, the early portion of the last century, we find that corn and wool were cheap, while cloth and iron were dear; whereas, at the close of the century, the former were becoming dearer from day to day, while the latter were as regularly becoming cheaper.

6. Raw material tends, with the progress of men in wealth and civilization, to rise in price. What, however, is raw material? In answer to this question, we may say, that all the products of the earth are, in their turn, finished commodity and raw material. Coal and ore are the finished commodity of the miner, and yet they are only the raw material of which pig-iron is made. The latter is the finished commodity of the smelter, and yet it is but the raw material of the puddler, and of him who rolls the bar. The bar, again, is the raw material of sheet-iron—that, in turn, becoming the raw material of the nail and the spike. These, in time, become the raw material of the house, in the diminished cost of which are found concentrated all the changes that have been observed in the various stages of passage from the rude ore—lying useless in the earth—to the nail and the spike, the hammer and the saw, required for the completion of a modern dwelling.

In the early and barbarous ages of society, land and labor are very low in price, and the richest deposits of coal and ore are worthless. Houses being then obtained with exceeding difficulty, men are forced to depend for shelter against wind and rain upon holes and caves they find existing in the earth. In time, they are enabled to combine their efforts; and with every step in the course of progress, land and labor acquire power to command money in exchange, while the house loses it. As the services of fuel are more readily commanded, pig-iron is more easily obtained. Both, in turn, facilitate the making of bars and sheets, nails and spikes, and all of these facilitate the creation of boats, ships, and houses; but each and every of these improvements tends to increase the prices of the original raw materials—land and labor. At no period in the history of the world has the general price of these latter been so high as in the present one; at none would the same quantity of money have purchased so staunch a boat, so fleet a ship, or so comfortable a house.

The more finished a commodity, the greater is the tendency to a fall of price—all the economics of the earlier processes being accumulated together in the later ones. Houses, thus, profit by all improvements in the

making of bricks, in the quarrying of stone, in the conversion of lumber, and in the working of the metals. So, too, is it with articles of clothing—every improvement in the various processes of spinning, weaving, and dyeing, and in the conversion of clothing into garments, being found gathered together in the coat—the more numerous those improvements, the lower being its price, and the higher that of the land and labor to which the wool is due.

With every stage of progress in that direction, there is an increasing tendency towards an equality in the prices of the more and the less finished commodities—and towards an approximation in the character of the books, clothing, furniture, and dwellings of the various portions of society; with constant increase in power to maintain commerce between those countries which do, and those which do not, yield the metals which constitute the raw material of money.

For proof of this, we may look to any of the advancing communities of the world. In the days when the French peasant would have been required to give an ox for a ream and a half of paper, wine was much higher than it is at present—peaches were entirely unattainable—the finer vegetables now in use were utterly unknown—a piece of refined sugar, or a cup of tea or coffee, were luxuries fit for kings alone—and an ell of Dutch linen exchanged for the equivalent of 60 francs—\$11 25. Now—the price of meat having wonderfully increased—the farm laborer is better paid; and the consequences are seen in the fact, that with the price of an ox the farmer can purchase better wine than then was drunk by kings—that he can obtain not only paper, but books and newspapers—that he can eat apricots and peaches—that sugar, tea, and coffee have become necessities of life—and that he can have a supply of linen which would, in earlier times, have almost sufficed for the entire household of a nobleman. Such are the results of an increase in the facility of association and combination among men; and if we now desire to find the instrument to which they are most indebted for the power to combine their efforts, we must look for it in that to which we have given the name of money. Such being the case, it becomes important that we ascertain what are the circumstances under which the power to command the use of that instrument increases, and what are those under which it declines.

7. To acquire dominion over the various natural forces provided for his use, is both the pleasure and the duty of man; and the greater the amount acquired, the higher becomes his labor, and the greater is the tendency to increase of power. With each addition thereto, he finds less resistance to his further efforts; and hence it is, that each successive discovery proves to be but the precursor of newer and greater ones. Franklin's lightning-rod was but the preparation for the telegraph-wires that connect our cities; and they, in turn, are but the precursors of those destined soon to enable us to read, at the breakfast-table, an account of the occurrences of the previous day in Europe, Asia, and Australia. Each successive year thus augments the power of man, and with every new discovery utility is given to forces that now are being wasted. The more they are utilized—the more nature is made to labor in man's service—the less is the quantity of human effort required for the reproduction of the com-

modities needed for his comfort, convenience, or enjoyment—the less is the value of all previous accumulations—and the greater is the tendency towards giving to the labor of the present, power over the capital created by the labors of the past.

Utility is the measure of man's power over nature. The greater it is, the larger is the demand for the commodity or thing utilized, and the greater the attractive force exerted upon it, wherever found. Look where we may, we see that every raw material yielded by the earth tends towards those places at which it has the highest utility, and that there it is the value of the finished article is least.* Wheat tends towards the grist-mill, and there it is that flour is cheapest. Cotton and wool tend towards the mills at which they are to be spun and woven, and there it is that the smallest quantity of money will purchase a yard of cloth. On the other hand, it is where cotton has the least utility—on the plantation—that cloth has the highest value. Therefore it is, that we see communities so universally prospering when the spindle and the loom are brought to the neighborhood of the plough and the harrow, to utilize their products.

Precisely similar to this are the facts observed in regard to the precious metals, everywhere on the earth's surface seen to be tending towards those places at which they have the highest utility—those at which men most combine their efforts for utilizing the raw products of the earth—those in which land most rapidly acquires a money value, or price—those, therefore, in which the value of those metals, as compared with land, most rapidly diminishes—and those in which the charge for the use of money is lowest. They tend to leave those places in which their utility is small, and in which combination of action least exists—those, therefore, in which the price of land is low, and the rate of interest high. In the first, there is a daily tendency towards increase in the freedom of man; whereas, in the last, the tendency is in the opposite direction—towards the subjugation of man to the control of those who live by the expenditure of taxes, rent, and interest. Desiring evidence of this, we have but to look around us at the present moment, and see how oppressively rent and interest operate upon the poorer portions of society—how numerous are the applications for the smallest office—and, above all, how great has been the increase of pauperism in the past three years, in which our exports of specie have been so large.

Looking to Mexico or Peru, to California or Siberia, we see but little of that combination of action required for giving utility to their metallic products—little value in land—and interest higher than in any other organized communities in the world. Following those products, we see them passing gradually through the West, towards the cities of the Atlantic, or through Russia to St. Petersburg—every step of their progress being towards those States or countries in which they have the greatest utility—those in which combination of action most exists, and in which, therefore, man is daily acquiring power over the various forces of nature, and com-

* Value is the measure of the obstacle interposed by nature to the gratification of the wishes of man.

elling her more and more to aid him in his efforts for the attainment of further power.

8. For more than a century, Great Britain constituted the reservoir into which was discharged the major part of the gold and silver produced throughout the world. There it was, that the artisan and the farmer were most nearly brought together—the power of association most existed—the ultimate raw materials of commodities, land and labor, were most utilized, and the consumption in the arts, of gold and silver, was the greatest.* Now the state of things is widely different. From year to year, the land of the United Kingdom has become more consolidated—the little proprietor having been superseded by the great middleman farmer, and the mere day-laborer; and the result is seen in the fact, that Great Britain has passed from being a place at which commodities are produced, to be given in exchange for the produce of other lands—to being a mere place of exchange for the people of those lands. With each successive year, there is a decline in the proportion borne to the whole population by the producing classes, and an increase in that borne by the non-producing ones, with corresponding diminution in the power to retain the products of the mines of Peru and Mexico.

The gold of California does not, as we know, to any material extent, remain among ourselves. Touching our Atlantic coast, only to be transferred to steamers that bear it off to Great Britain, it there meets the product of the Australian mines—the two combined amounting to more than a hundred millions of dollars a year. Both come there, however, merely in transit—being destined, ultimately, to the payment of the people of Continental Europe, who have supplied raw products that have been converted and exported, or finished ones that have been consumed. Much of it goes necessarily to France, whose exports have grown, in the short period of twenty years, from 500,000,000 francs, to 1,400,000,000, and have steadily maintained their commercial character. Manufactures are there the *hand-maids* of agriculture; whereas in the United Kingdom, they are, with each successive year, becoming more and more the *substitutes* for it. To a small quantity of cotton, silk, and other raw products of distant lands, France adds a large amount of the produce of her farms—thus entitling herself not only to receive, but to retain for her own uses and purposes, nearly all the commodities that come to her from abroad. Her position is that of the rich and enlightened farmer, who sells his products in their highest form—thus qualifying himself for applying to the support of his family, the education of his children, and the improvement of his land, *the whole of the commodities received in exchange*. That of Britain is the position of the trader, who passes through his hands a large amount of property, of which he is entitled to retain the *amount of his commission, and nothing more*. The one has immense, and wonderfully growing commerce, while the other performs a vast amount of trade.

9. The precious metals are steadily flowing to the north and east of Europe, and among the largest of their recipients we find Northern Ger-

* Thirty years since, the annual consumption of the precious metals in Great Britain was estimated at £2,500,000, or \$12,000,000.

many, now so rapidly advancing in wealth, power, and civilization. Denmark and Sweden, Austria and Belgium, following in the lead of France, in the maintenance of the policy of Colbert, are moving in the same direction; and the consequences are seen in a growing habit of association, attended with daily augmentation in the amount of production, and in the facility of accumulation, as exhibited in the building of mills, the opening of mines, the construction of roads, and the constantly augmenting power to command the services of the precious metals.

The causes of these phenomena are readily explained. Raw materials of every kind tend towards those places at which employments are most diversified, because there it is that the products of the farm command the largest quantity of money. Gold and silver follow in the train of raw materials; and for the reason, that where the farmer and the artisan are most enabled to combine, finished commodities are always cheapest. When Germany exported corn and wool, they were cheap, and she was required to export gold to aid in paying for the cloth and paper she imported; because they were very dear. Now she imports both wool and rags; her farmers obtain high prices for their products, and are enriched; and the gold comes to her, because cloth and paper are so cheap that she sends them to the most distant quarters of the world. So is it with France, Belgium, Sweden, and Denmark—all of which are large importers of raw materials, and of gold. In all those countries, raw materials rise in price; and the greater the tendency to rise, the more rapidly must the current of the precious metals set in that direction. The country that desires to increase its supplies of gold, and thus lower the price of money, is, therefore, required to pursue that course of policy tending most to raise the prices of raw material, and lower those of manufactures. This, however, is directly the opposite of the policy advocated by the British school, which seeks, in the cheapening of all the raw material of manufactures, the means of advancing civilization.

10. The reverse of what is above described is found in Ireland, Turkey, and Portugal, so long the close allies of England—and so uniformly following in the course of policy now advocated by her economists. From each and all of them, there has been an unceasing drain of money—the disappearance of the precious metals having been followed by decline in the productiveness of agriculture—in the prices of commodities, in the value of land, and in the power of man.

France in the decade prior to the Eden treaty in 1786, was advancing in both manufactures and commerce with great rapidity, as is shown conclusively in M. de Toqueville's recent work.* Raw materials and the pre-

* "Simultaneous with these changes in the minds of governed and governors, public prosperity began to develop with unexampled strides. This is shown by all sorts of evidence. Population increased rapidly: wealth more rapidly still. The American war did not check the movement—it completed the embarrassment of the State, but did not impede private enterprise; individuals grew more industrious, more inventive, richer than ever.

"An official of the time states that in 1774 'industrial progress had been so rapid that the amount of taxable articles had largely increased.' On comparing the various contracts made between the State and the companies to which the

cious metals flowing in, and manufactured goods flowing out, the result was seen in a daily increasing tendency towards the division of land, the improvement of agriculture, and the increase of human freedom. From the date of that treaty, however, all was changed. Manufactures flowed in, and gold flowed out, with daily decline in the power of association, in the wages of labor, and in the value of land. Universal distress producing a demand for change of policy, its effect was seen in the calling together of the States-General, whose appearance on the stage for the first time in a hundred and eighty years, was so soon to be followed by a revolution, that sent to the guillotine the most of those by whom that treaty had been made.

Looking to Spain, we see her poverty to have steadily increased from the hour, when, by expelling her manufacturing population, she rendered herself dependent upon the workshops of other countries. Mistress of Mexico and Peru, she acted merely as the conduit through which their wealth passed to the advancing countries of the world, as is now the case with Great Britain and the United States.

Turning next to Mexico, we see her to have been declining steadily in power from the day on which she obtained her independence; and for the reason, that from that date her manufactures began to disappear. From year to year she becomes more and more dependent upon the trader, and more and more compelled to export her commodities in their rudest state; as a necessary consequence of which, her power to retain the produce of her mines is constantly diminishing.

11. The facts thus far presented, may now be embodied in the following propositions:—

Raw materials tend towards those countries in which employments are most diversified—in which the power of association most exists—and in which land and labor tend most to rise in price.

The precious metals tend towards the same countries; and for the reason, that there it is that finished commodities are least in price.

The greater the attractive force exerted upon those raw materials and this gold, the more does agriculture tend to become a science—the larger are the returns to agricultural labor—the more steady and regular becomes the motion of society—the more rapid is the development of the powers of the land, and of the men by whom it is occupied—the larger is the commerce—and the greater the progress towards happiness, wealth, and power.

Raw materials tend from those countries in which employments are least

taxes were farmed out, at different periods during the reign of Louis XVI., one perceives that the yield was increasing with astonishing rapidity. The lease of 1786 yielded fourteen millions more than that of 1780. Necker, in his report of 1781, estimated that 'the produce of taxes on articles of consumption increased at the rate of two millions a year.'

"Arthur Young states that in 1788 the commerce of Bordeaux was greater than that of Liverpool, and adds that 'of late years maritime trade has made more progress in France than in England; the whole trade of France has doubled in the last twenty years.'"—DE TOUQUEVILLE, *The Old Regime and the Revolution*, p. 210.

diversified—those in which the power of combination least exists—and those consequently, in which land and labor are least in price.

The precious metals, too, tend to leave those countries, because there it is that finished commodities are dearest.

The greater the expulsive force that is thus exhibited, the slower is the circulation of society, and the smaller is the amount of commerce—the more rapid is the exhaustion of the soil—the lower is the condition of agriculture—the less is the return to the labors of the field—the lower are the prices of the products of the farm—the less is the regularity of the motion of society—the greater is the power of the trader—and the stronger is the tendency towards pauperism and crime among the people, and towards weakness in the government.

The portions of the world *from* which the precious metals flow, in which agriculture declines, and men become less free, are those which follow in the lead of England—preferring the supremacy of trade to the extension of commerce—Ireland, Turkey, Portugal, India, Carolina, and other exclusively agricultural countries.

The portions *towards* which they flow are those which follow in the lead of France—preferring the extension of commerce to the enlargement of the trader's power. Germany and Denmark, Sweden and New England, are in this position. In all of these agriculture becomes more and more a science, as employments become diversified—the returns to agricultural labor increasing as the prices of raw materials tend to rise.

In all the countries *to* which they flow, the prices of raw materials and those of finished commodities tend to approximate—the farmer giving a steadily diminishing quantity of wool and corn in return for a constant quantity of cloth and iron.

In those *from* which they flow, those prices become from year to year more widely separated—the farmer and the planter giving a steadily increasing quantity of wool and corn for a diminishing quantity of iron, or of cloth.

Such are the facts presented by the history of the outer world, of both the present and the past. How far they are in accordance with our own experience we may now inquire.

12. The mining communities of the world having raw products to sell, and needing to purchase finished commodities, the gold and silver they produce flow naturally to those countries that have such commodities to sell; and not towards those which have only raw materials to offer in exchange. India has cotton to sell; Ireland and Turkey have grain: Brazil has sugar and coffee; while Alabama has only cotton; for which reason it is that money is always scarce in those countries, and the rate of interest high. Looking homeward, we find that whenever our policy has tended towards the production of combination of action between the farmer and the artisan, we have been importers of the precious metals, and that then land and labor have risen in price. The contrary effect has invariably been produced, whenever our policy has tended to the diminution of association, and the production of a necessity for looking abroad for making all our exchanges of food and wool for cloth and iron—limited, however, for the period immediately following the change, by the existence of a credit that

has enabled us to run in debt to Europe, and thus for a time to arrest the export of the precious metals. What was the precise course of the trade in those metals during the thirty years preceding the discovery of the California gold deposits, is shown by the following figures:—

	Excess exports.	Excess imports.
1821—1825	\$12,500,000	.....
1826—1829 . . . . .	.....	\$4,000,000
1830—1834 . . . . .	.....	20,000,000
1835—1838 . . . . .	.....	34,000,000
1839—1842	9,000,000	.....
1843—1847 . . . . .	.....	39,000,000
1848—1850	14,000,000	.....

In the closing years of the free trade system of 1817, the average excess of specie export was about \$2,500,000 a year. To this adding a similar amount, only, for the annual consumption, we obtain an absolute diminution of five-and-twenty millions, while the population had increased about ten per cent. Under such circumstances, it is no matter of surprise that those years are conspicuous among the most calamitous ones in our history. At Pittsburg, flour then sold at \$1 25 per barrel; wheat, throughout Ohio, would command but 20 cents a bushel; while a ton of bar iron required little short of eighty barrels of flour to pay for it. Such was the state of affairs that produced the tariff of 1824—a very imperfect measure of protection, but one that, imperfect as it was, changed the course of the current, and caused a *net* import, in the four years that followed, of \$4,000,000 of the precious metals. In 1828, there was enacted the first tariff tending directly to the promotion of association throughout the country; and its effects exhibit themselves in an excess import of the precious metals—averaging \$4,000,000 a year—notwithstanding the discharge, in that period, of the whole of the national debt that had been held in Europe, amounting to many millions. Putting together the discharge of debt and the import of coin, the balance of trade in that period must have been in our favor to the extent of nearly \$50,000,000; or an average of about \$10,000,000 a year. As a consequence, prosperity existed to an extent never before known—the power to purchase foreign commodities growing with such rapidity as to render it necessary greatly to enlarge the free list; and then it was that coffee, tea, and many other raw commodities, were emancipated from the payment of any impost. Thus did efficient protection lead to a freedom of commerce, abroad and at home, such as had never before existed.

The first few years of the compromise tariff of 1833 profited largely by the prosperity caused by the act of 1828, and the reductions under it were then so small that its operation was but slightly felt. In those years, too, there was contracted a considerable foreign debt—stopping the export of specie, and producing an excess import averaging more than \$8,000,000 a year. Prosperity *seemed* to exist, but it was of the same description that has marked the last few years, during which the value of all property has depended entirely upon the power to contract debts abroad—thus placing the nation more completely under the control of its distant creditors.

In the succeeding years, the compromise became more fully operative.* Furnaces and factories were closed, with constantly increasing necessity for looking abroad for the performance of all exchanges, and corresponding necessity for remitting money to pay the balance due on the purchases of previous years. Nevertheless, the annual specie export averaged little more than \$2,000,000; but if to this be added a consumption of only \$3,000,000 a year, we have a reduction of \$20,000,000; the consequences of which were seen in almost total suspension of commerce. The whole country was in a state of ruin. Laborers were everywhere out of employment, and being still consumers, while producing nothing, the power of accumulation ceased almost to exist. Debtors being everywhere at the mercy of creditors, sales of real estate were chiefly accomplished by help of sheriffs, whose employments were then more productive than they had been from the date of the constitution.

The change in the value of labor, consequent upon the stoppage of the circulation that followed this trivial export of the precious metals, cannot be placed at less than \$500,000,000 a year. Wages were low, even where employment could be obtained; but a large portion of the labor-power of the country was totally wasted, and the demand for mental power diminished even more rapidly than that for physical exertion. In the prices of land, houses, machinery of all kinds, and other similar property, the reduction counted by thousands of millions of dollars; and yet, the difference between the two periods ending in 1833 and 1842, in regard to the monetary movement, was only that between an excess import of \$5,000,000, and an excess export of \$2,500,000, or a total of \$7,500,000 a year. No one who studies these facts, can fail to be struck with the wonderful power over the fortunes and conditions of men exerted by the metals provided by the Creator for furthering the work of association among mankind. With the small excess of import in the first period, there was a steady tendency towards equality of condition among the poor and the rich, the debtor and the creditor; whereas, with the slight excess of export in the second one, there was a daily increasing tendency towards inequality—the poor laborer and the debtor, passing steadily more under the control of the rich employer, and the wealthy creditor. Of all the machinery furnished for the use of man, there is none so equalizing in its tendency as that known by the name of money; and yet economists would have the world believe that the agreeable feeling which everywhere attends a knowledge that it is flowing in, is evidence of ignorance—any reference to the question of the favorable or unfavorable balance of trade being beneath the dignity of men who feel that they are following in the footsteps of Hume and Smith. It would, however, be as difficult to find a single prosperous country that is not, from year to year, making itself a better customer to the gold-producing countries, as it would be to find one that is not becoming a better customer to those which produce silk, or

* One-tenth of the excess over 20 per cent. was reduced in December, 1833, another tenth in 1835, a third in 1837, and a fourth in 1839; the remaining excess of duties being then equally divided into two parts, to be reduced in 1841 and 1842.

cotton. To an improving customer, there must be in its favor a steadily increasing balance of trade, to be settled by payment in the commodity for whose production the country is fitted, whether that be cloth, or tobacco, silver or gold.

The condition of the nation at the date of the passage of the act of 1842, was humiliating in the extreme. The treasury—unable to obtain at home the means required for administering the government, even on the most economical scale—had failed in all its efforts to negotiate a loan at six per cent., even in the same foreign markets in which it had but recently paid off, at par, a debt bearing an interest of only three per cent. Many of the States, and some even of the oldest of them, had been forced to suspend the payment of interest on their debts. The banks, to a great extent, were in a state of suspension, and those which pressed to redeem their notes, found their business greatly restricted by the increasing demand for coin to go abroad. The use of either gold or silver as currency had almost altogether ceased. The Federal government, but recently so rich, was driven to the use of inconvertible paper money, in all its transactions with the people. Of the merchants, a large portion had become bankrupt. Factories and furnaces being closed, hundreds of thousands of persons were totally unemployed. Commerce had scarcely an existence—those who could not sell their own labor, being unable to purchase of others. Nevertheless, deep as was the abyss into which the nation had been plunged, so magical was the effect of the adoption of a system that had turned the balance of trade in its favor, that scarcely had the act of August, 1842, become a law, when the government found that it could have all its wants supplied at home. Mills, factories, and furnaces, long closed, were again opened; labor came again into demand; and, before the close of its third year, prosperity almost universally reigned. States recommenced the payment of interest on their debts. Railroads and canals again paid dividends. Real estate had doubled in value, and mortgages had been everywhere lightened; and yet the total net import of specie in the first four of the years, was but \$17,000,000, or \$4,250,000 per annum! In the last year occurred the Irish famine, creating a great demand for food; the consequence of which was, an import of no less than \$22,000,000 of gold—making a total import, in five years, of \$99,000,000. Deducting from this but \$4,000,000 per annum for consumption, it leaves an annual increase, for the purposes of circulation, of less than \$5,000,000; and yet the difference in the prices of labor and land in 1847, as compared with 1842, would be lowly estimated, if placed at only \$2,000,000,000.

With 1847, however, there came another change of policy—the nation being again called upon to try the system under which it had been prostrated in 1840-42. The doctrines of Hume and Smith, in reference to the balance of trade, were again adopted as those by which a government was to be directed in its movements. Protection being then repudiated, the consequences were speedily seen in the fact, that within three years, factories and furnaces were again closed, labor was seeking demand, and gold was flowing out even more rapidly than it had come in under the tariff of 1842. The excess export of those three years amounted to \$14,000,000; and if to this be added \$13,000,000 for consumption, it

follows that the reduction was equal to the total increase under the previous system. Circulation was everywhere being suspended, and a crisis was close at hand, when, fortunately for the advocates of the existing system, the gold deposits of California were brought to light.

In the year 1850-'51, the quantity received from that source was more than \$40,000,000, of which nearly \$20,000,000 were retained at home. The consequence was speedily seen in a reduction of the rate of interest, and a re-establishment of commerce. In the following year, \$37,000,000 were exported, leaving, perhaps, \$8,000,000 or \$10,000,000, which, added to that retained in 1851, made an addition to the currency of probably \$30,000,000—producing universal life and motion. In 1852-'53, there was still a slight increase, but in the two years following, the export was \$97,000,000; and if to this we add a domestic consumption that probably was but little short of \$20,000,000, we obtain a total amount withdrawn exceeding the receipt from all the world. Looking now to the Union east of the Rocky Mountains, it may well be doubted if the *effective* addition to the stock of the precious metals remaining in the form of coin much exceeds a single dollar per head of the population.* It may amount to \$30,000,000 or \$35,000,000; and small as is that sum, it would have produced a great effect in promoting rapidity of circulation, had it not been that, simultaneously therewith, the indebtedness to foreign countries had so much increased, as to require, for the payment of interest alone, an annual remittance equal to the whole export of food to all the world—producing doubt and general distrust—causing an extensive hoarding of money, and palsying the movements of commerce. As a consequence of this it is, that the country now presents the most extraordinary spectacle in the world—that of a community owning one of the great sources of supply for money, in which the price paid for its use is generally thrice, and, in many parts of the country, six or eight times as great as in those countries of Europe which find their gold mines in their furnaces, their rolling-mills, and their cotton and woollen factories.

* In the last Treasury Report (1856) the addition to the stock of the precious metals in the last few years is estimated at more than \$100,000,000, and possibly even \$150,000,000. Small allowance is there, however, made for a consumption in the arts, that must, in the last five years, have absorbed at least fifty of those millions. None is made for the fact that \$20,000,000 are always kept in the Treasury vaults, and, while there, are as useless as would be a similar weight of pebbles. Much advantage is claimed to have resulted from increasing the difficulty of transferring the property in money, by compelling individuals to carry gold in their pockets, when, if the law permitted, they would prefer to carry bank notes. No allowance is made for a land system that compels millions of dollars in gold to be transported from one part of the country to another, at great cost and risk, when drafts would be used, were it not that it is the object of the Federal government, as far as possible, to destroy the utility of the precious metals, by promoting their transportation, and thus preventing their circulation. From the day when free trade was inaugurated as the policy of the dominant party of the country, there has been almost an unceasing war against credit; and the result is seen in the fact that it requires \$200,000,000 of gold and silver to carry on a smaller amount of commerce than would, under a sound system, be transacted by help of less than \$100,000,000, and with a steadiness and regularity that now are quite unknown.

Our policy has, with slight exceptions, looked steadily towards keeping down the prices of the rude products of the earth, and thus facilitating their export; and the precious metals always follow in their train. The result is seen in the general exhaustion of the soil—in the fact that agriculture makes but little progress—in the diminished yield of the land, and in the steady decline of the price of tobacco, flour, cotton and other rude products of the earth. Taking the averages of the several decades since 1810, the export prices of flour have been as follows:—

For that ending in 1820	\$10 37
“ “ 1830	6 20
“ “ 1840	6 78
“ “ 1850	5 27
The 3 years ending 1853	4 67
For 1853	4 24

—this last being probably the lowest price at which it has been sold since the arrival of Hendrick Hudson in your harbor. The prices above given, I pray you to recollect, are those furnished in the recent Treasury Reports. Precisely similar to this have been the facts transpiring in relation to cotton and tobacco; of the former of which, the planter was giving, in 1832, little short of five pounds for the same quantity of gold and silver that seven-and-thirty years before he obtained for one.

The power to command the services of the precious metals grows with the growth of the power of association and combination. The policy of the Union is hostile to association, and hence it is that our products fall in price, while all the metals remain so dear. That is the course towards barbarism. You will probably be disposed to say, that prices are now very high, and that if such prices are to insure prosperity, it is certainly within our reach. Such would be the case, were it not for the causes to which they are due—great deficiency in the quantity produced. Twenty years since, we had similar prices, and for the same reason—all the energies of the country having then been given, as is now the case, to the creation of food and cotton-producing machinery, and not to the production of either food or cotton. Those high prices were, however, only the precursors of the ruinously low ones of 1841 and '42.

The quantity of food now produced is far less, per head, than it was four years since; while the average crop of cotton, for the last four years, has been less than that of 1851-'52. Desiring to know the cause, you need only to look to the facts, that the rural population of your own State is gradually diminishing; and that the young Ohio has now become the great emigrating State of the Union. The men who are now being driven from farms in the East, to found colonies in the West, are consumers, and not producers; but the day approaches, when the effects of their labor will become visible in such a reduction of prices as has never before been known. Any one who, in 1835, had predicted the universal ruin of farms, that followed three years later, would have been listened to with an incredulity equal to that which you, probably, hear one say that the occurrences of 1841-'42 are yet to be repeated. In the last ten years, we have added to our numbers almost as many millions; and yet we have scarcely more persons engaged in the four chief branches of manufacturing than we

had in 1847-'48. Nearly the whole increase has been driven to the creation of farms and plantations, that will yet overwhelm the market with food and cotton. The whole policy of the country is adverse to the agricultural interest, for it tends toward cheapening raw products, and thus promoting the exports of the precious metals.

13. "In every kingdom into which money begins to flow in greater abundance than formerly, everything," says Mr. Hume, in his well-known Essay on Money, "takes a new face: labor and industry gain life; the merchant becomes more enterprising, the manufacturer more diligent and skilful; and even the farmer follows his plough with more alacrity and attention."

That this is so, is well known to all. Why should it be so? Because the circulation of society then increases, and all power—whether in the physical or social world—results from motion. When money is flowing in, every man is enabled to find a purchaser for his labor, and to become a purchaser of that of others. Therefore it is, that commerce so steadily increases in those countries in which the Californian and Australian products now so rapidly accumulate—France, Germany, and Northern and Eastern Europe generally. When, on the contrary, money flows out, the circulation diminishes, and labor is everywhere wasted. That labor-power is capital, the result of the consumption of other capital in the form of food; and all the difference between an advancing and a declining state of society, is found in the fact, that in the one, there is a constant increase in the rapidity with which the demand for muscular or mental power follows its production, while in the other, there is a daily diminution therein. The more instantly the demand follows the supply, the more is the force economized, and the larger is the power of accumulation. The longer the interval between production and consumption, the greater is the waste of force, and the less is the power of accumulation.

Of all the machinery in use among men, there is none that exercises upon their actions so great an influence as that which gathers up and divides and subdivides, and then gathers up again, to be on the instant divided and subdivided again, the minutes and quarter-hours of a community. It is the machinery of association, and the *indispensable* machinery of progress; and therefore it is, that we see in all new or poor communities so constant an effort to obtain something to be used in place of it; as is shown in various countries in which an irredeemable paper constitutes the only medium of exchange. Throughout the West, a currency of some description is felt to be among the prime necessities of life. So well is this want understood, that many Eastern banks supply notes expressly for Western circulation, and the people there pass them from hand to hand, because any money is better than none, and good they cannot get, for the reason that metallic money always flows from the place where the charge for its use is high, to that at which it is low. The rate of interest in the West is now enormous, but every day witnesses the export of gold to the East, where it is somewhat less; and yet even your high interest—ranging, as it has done for years, between ten and thirty per cent. per annum—cannot prevent it from going to France and Germany, where it commands but five or six per cent. Money thus obeys the same law as water

—seeking always the lowest level. The latter falls upon the hills, but from the moment of its fall it never stops until it reaches the ocean; nor does the gold of California, or the silver of Mexico, stop until it reaches that point at which money most abounds, and at which, for that reason, the price paid for its use is least.

Of all the commodities in use by man, the precious metals are those that render the largest amount of service in proportion to their cost—and those whose movements furnish the most perfect test of the soundness or unsoundness of its commercial system. They go from those countries whose people are engaged in exhausting the soil, to those in which they renovate and improve it. They go from those at which the price of raw products, and the land itself, is low—from those at which money is scarce and interest is high. The country that desires to attract the precious metals, and to lower the charge for the use of money, has, then, only to adopt the measures required for raising the price of land and labor. In all countries, the value of land grows with that development of the human faculties which results from diversity in the modes of employment, and from the growth of the power of combination. That power grows in France, and in all the countries of Northern Europe; and for the reason, as has been shown, that all those countries have adopted the course of policy recommended by Colbert, and carried out by France. It declines in Great Britain, in Ireland, in Portugal, in Turkey, in the Eastern and Western Indies, and in all countries that follow the teachings of the British school. It has grown among ourselves in every period of protection; and then money has flowed in, and land and labor have risen in value. It has diminished in every period in which trade has obtained the mastery over commerce. Land and labor have always declined in value as soon as our people had eaten, drunk, and worn foreign merchandise to the extent of hundreds of millions of dollars, for which they had not paid; and had thus destroyed their credit with other communities of the world.

14. We are told, however, by the same writer—Mr. Hume—and in that he is followed by the modern economists—that the only effect of an increase of the supply of gold and silver is that of "heightening the price of commodities, and obliging every one to pay more of those little yellow or white pieces for everything he purchases." Were such really the case, it would be little short of a miracle that we should see money always, century after century, passing in the same direction—to the countries that are rich from those that are poor; so poor, too, that they cannot afford to keep as much of it as is absolutely necessary for their own exchanges. The gold of Siberia leaves a land in which so little circulates that labor and its products are at the lowest prices, to find its way to St. Petersburg, where it will purchase less labor and less of either wheat or hemp than it would do at home; and that of Carolina and Virginia goes steadily and regularly, year after year, to the countries to which the people of those States send their cotton and their wheat, because of the higher prices at which they sell. The silver of Mexico, and its cochineal, travel together to the same market; and the gold of Australia passes to Britain by the ship which carries the wool yielded by its flocks.

Every addition to the stock of money, as we are assured by the ingo-

nious men of modern days engaged in compiling treasury tables and finance reports, renders a country a good place to sell in, but a bad one in which to purchase. To what countries, however, is it that men have most resorted when they desired to purchase? Have they not, until recently, gone, almost exclusively, to Britain? It has been so, assuredly; and for the reason, that there it has been that finished commodities were cheaply furnished. Where have they gone to sell? Has it not been to Britain? It certainly has been so; and for the reason, that there it was that gold, cotton, wheat, and all other of the rude products of the earth, were dear. Where do they now most tend to go when they desire to purchase cloths or silks? Is it not to France and Germany? So it certainly is; and for the reason, that there it is that raw materials are highest, and finished ones are cheapest. Gold follows in the train of raw materials generally—these last being found, invariably, travelling to those places at which the rude products of the earth command the highest price, while cloth, iron, and manufactures of iron and other metals, may be purchased at the lowest; and the greater the flow in that direction, the greater is the tendency to further enhancing the prices of the former, and reducing those of the latter. From this it would seem, that increase in the supply and circulation of money, so far from having the effect of causing men to give two pieces for an article that could before have been had for one, has, on the contrary, that of enabling them to obtain for one piece the commodity that before had cost them two; and that such is the fact, can readily be shown.

It is within the knowledge of all, that manufactures have greatly fallen in price—the quantity of cotton cloth that can now be obtained for a single dollar being as great as would formerly have cost five—and that the reduction has taken place in the very countries into which the gold of the world has steadily flowed, and into which it is now flowing—whence it would appear quite certain that finished commodities tend to fall as money flows in, while land and labor—the ultimate raw materials of all—tend to rise in price. The gold of California and Australia now goes to Germany, France, Belgium, and Great Britain, where money abounds and interest is low, because there manufactured commodities are cheap and money is valuable, when measured by them. It does not go to Spain, Italy, Portugal, or Turkey, because there manufactured goods are dear, and land and labor are cheap. It does not stop in Mississippi, Arkansas, or Texas, because there, too, manufactures are dear, and land and labor are cheap; but there it will stop at some future period, when it shall have been ascertained that the plough and the harrow should always have for their near neighbors the spindle and the loom.

The higher products of a skilful agriculture—fruits, garden vegetables, and flowers—tend steadily to decline in price in all those countries into which money is flowing; and for the reason, that agricultural improvement always accompanies manufactures, and manufactures always attract the precious metals. Every one familiar with the operations of the West, knows that while corn and pork are there always cheap, cabbages, peas, beans, and all green crops, are invariably scarce and dear; and so continue, until, as around Cincinnati and Pittsburg, population and wealth have

given a stimulus to the work of cultivation. In England, the increase of green crops of all kinds has been immense, attended with the decline in price; and in France, a recent writer* informs us that, notwithstanding the increase in the quantity of money, the price of wine is scarcely more than a fourth of what it was three centuries since. By another we are told, that "every man in France, of forty years of age, must have remarked the sensible diminution of the price of garden produce, fruits of all kinds, flowers, etc.; and that most of the oleaginous grains and plants used in manufactures have fallen in like manner; while beets, carrots, beans, etc., have become so common that they are now fed to animals in the stable."†

Food thus becomes more abundant in those countries into which gold is steadily flowing, and it becomes less so in those from which the gold flows, as is seen in Carolina, which has steadily exhausted her land—in Turkey—in Portugal—and in India. In all those countries, land and labor are low in price. Give them manufactures—thus enabling their people to combine their efforts—and they will obtain and retain gold; and then they will make roads, and the supplies of food will steadily increase as cloth and iron become cheaper; and land and labor will then rise in price.

15. Of what use, however, it may be asked, are further supplies of gold and silver when a country has obtained the full allowance required for the most perfect circulation of its products, and of the services of the persons of whom the society is composed? Is it not possible that the commodity may become superabundant? It is not; and for the reason, that the uses of those metals are so numerous and great. Silver is better than iron for a great variety of purposes. The melting-pot of the goldsmith, or the subject to the hammer of the gold-beater, is the ultimate destination of the whole of the vast products of Siberia, California, and Australia; and the greater the power to use them in the arts, the more rapid must be the progress of civilization. That power grows with increase in the facility of combination, and the latter grows with the increased facility of obtaining this essential machinery of association. The miner of gold is thus always making a market for his commodity, and the more of it that he supplies, the greater is the tendency towards decline in the price of the cloth, the watches, the steam-engines, and the books that he seeks to purchase. In proof that such is the case, it is needed only that—looking back for half a century—we remark the vast increase in the demand for plate, and the growing substitution of gold for the silver that so recently was used. Forty years since, gold watches were the exception. Now, a silver watch is rarely seen. Thirty years since, a gold pencil-case was quite a rarity. Now, such cases are made almost by millions. A quarter of a century since, a gilt-edged book was an unusual article of luxury. Now, gold is required almost by tons for gilding the edges of books. So is it everywhere—gold and silver coming daily into use, because of the increased facility with which they may be obtained; while all the com-

* M. Moreau de Jonnes.

† De Fontenay, Du Revenu Foncier.

modities required for the miner's purposes have steadily declined in price. That "all discord" is "harmony not understood," we are assured; and the more we study the laws of nature, the more conclusive become the proofs that such is certainly the case.

16. The use of bank-notes tends, however, as we are assured, to promote the expulsion of gold. Were it to do so, it would be in opposition to the great general law in virtue of which all commodities tend to, and not from, the places at which they have the highest utility. A bank is a machine for utilizing money, by enabling A, B, and C to obtain the use of it at the time when D, E, and F, its owners, do not need its services. The direct effect of the establishment of such institutions in the cities of Europe has always been to cause money to flow towards those cities; and for the reason, that there its utility stood at the highest point. Even then, however, there were difficulties attendant upon the change of property in the money deposited with the bank—the owner being required to go to the banking-house, and write it off to other parties. To obviate this difficulty, and thus increase the utility of money, its owners were at length authorized to draw checks, by means of which they were enabled to transfer their property without stirring from their houses.

The difficulty still, however, existed, that—private individuals not being generally known—such checks could, in general, effect but a single transfer, and thus the recipient of money found himself obliged to go through the operation of taking possession of that which had been transferred to him, after which he had, in his turn, to draw a check when he himself desired to effect another change of property. To obviate this, circulating notes were invented, and by their help the ownership of money is now transferred with such rapidity that a single hundred dollars passes from hand to hand fifty times a day—effecting exchanges, perhaps, to the extent of many thousand dollars, and without the parties being at any time required to devote a single instant to the work of counting the coin. This was a great invention, and by its aid, the utility of money was so much increased that a single thousand pieces could be made to do more work than without it could be done by hundreds of thousands.

This, of course, as we are told, supersedes gold and silver, and causes them to be exported. So we are certainly assured by those economists who regard man as an animal that must be fed and will procreate; and that can be made to work only under the pressure of a strong necessity. Were they, however, to look, for once, at the real MAN—the being made in the image of his Creator, and capable of almost infinite elevation—they would perhaps, arrive at a conclusion widely different. The desires of that man are infinite, and the more they are gratified, the more rapidly do they increase in number. The miserable Hottentot dispenses with a road of any kind, but the enlightened and intelligent people of other countries are seen passing in succession from the ordinary village road to the turnpike, and thence to the railroad; and the better the existing communications, the greater is the thirst for further improvement. The better the schools and houses, the greater is the desire for superior teachers and further additions to the comforts of the dwelling. The more perfect the circulation of society, the larger is the reward of labor, and the greater is the power to

purchase gold and silver, to be used for the various purposes for which they are so admirably fitted, and the greater is the tendency to have them flow to the places at which the circulation is established. Money promotes the circulation of society. The check and the bank-note stimulate that circulation—giving thereby value to labor and land; and wherever these checks and notes are most in use, there should the inward current of the precious metals be most fully and firmly established.

That such is the case, is proved by the facts, that, for a century past, the precious metals have tended most to Britain, where such notes were most in use. Their use increases rapidly in France, with constant increase in the inward flow of gold. So, too, does it in Germany, towards which the auriferous current now sets so steadily that notes which are the representatives of money are rapidly taking the place of those irredeemable pieces of paper by which the use of coin has so long been superseded.

Whence flows all this gold? From the countries in which employments are not diversified; from those in which there is little power of association and combination; from those in which, therefore, credit has no existence; from those, finally, which do not use that machinery which so much increases the utility of the precious metals, and which we are accustomed to designate by the term *bank note*. The precious metals go from California—from Mexico—from Peru—from Brazil—from Turkey—and from Portugal—the lands in which property in money is transferred only by means of actual delivery of the coin itself—to those in which it is transferred by means of a check or note. It goes from the plains of Kansas, where notes are not in use, to New York and New England, where they are—from Siberia to St. Petersburg—from the banks of African rivers to London and Liverpool—and from the "diggings" of Australia to the towns and cities of Germany, where wool is dear and cloth is cheap.

17. All the facts exhibited throughout the world tend to prove that every commodity seeks that place at which it has the highest utility; and all those connected with the movement of the precious metals prove that they constitute no exception to the rule. Bank-notes increase the utility of those metals, and should, therefore, attract, and not repel, them. Nevertheless, the two nations of the world which claim best to understand the principles of commerce, are now engaged in a crusade against those notes; and in the vain hope of thereby rendering their several countries more attractive of the produce of the mines of Peru, and Mexico, Australia and California. In this case, England follows in our lead—Sir Robert Peel's restrictions being later in date, by several years, than the declaration of war against circulating notes culminated by our government.

It is a pure absurdity; and its adoption here is due to the fact that our system of policy tends to that expulsion of the precious metals which always must result from the long-continued export of the raw products of the earth. The administration that adopted what is called free trade, was the same that commenced the system of compelling the community to use gold instead of notes; and the result was found in the disappearance from circulation of coin of any description whatsoever. From that time to the present, the motto of the generally dominant party of the Union has been—"War to the death against bank-notes;" and, with a view to promote their expul-

sion, laws have been passed in various States forbidding their use except when of too large size to enter freely into the transactions of the community. As must, however, inevitably be the case the tendency to the loss of the precious metals has always been in the direct ratio of the diminution in their utility thus produced. At one time only, in almost twenty years, has there been an excess import of those metals, and that was under the tariff of 1842. Then, money became abundant and cheap, because the policy of the country looked to the promotion of association and the extension of commerce. Now, it is scarce and dear, because that policy limits the power of association, and established the supremacy of trade.

18. Of all the machinery in use among men, there is none whose yield is so great in proportion to its cost as that employed in effecting exchanges from hand to hand—none whose movements inward or outward are so strong an evidence of increase or decrease of the productive power of the community—none, therefore, that affords the statesman so excellent a barometer by means of which to judge of the working of his measures. It is nevertheless, of all others, the one whose movements are, by economists generally, regarded as least worthy of consideration. By many of them we are even taught that the only effect of an increase in the supply of a commodity whose possession is so anxiously sought by all mankind, is that instead of having the labor of counting out one, two, or three hundred pieces, we should be forced to count three, six, or nine hundred; and that, therefore, there is economy in being forced to perform the work of exchange with the smallest quantity of the machinery by aid of which, alone, it can be performed. All the teachings on this subject are in direct opposition to those of the common sense of mankind; and, as is usually the case, that to which all men are prompted by a sense of their own interests, is far more nearly right than that which is taught by philosophers who look inward to their own minds for the laws which govern man and matter—refusing to study the movements of the people by whom they are surrounded.

The uninstructed savage finds in the waterspout and the earthquake the most conclusive proof of the wonderful power of nature. The man of science finds it in the magnificent, but unseen, machinery by means of which the waters of the ocean are daily raised, to descend again in refreshing dews and summer showers. He finds it, too, in that insensible perspiration which carries off so nearly the whole amount of food absorbed by men and animals. Again; he sees it in the workings of the little animals, invisible to the naked eye, to whom we are indebted for the creation of islands, elaborated out of earth that has been carried from the mountains to the sea, and there deposited. Studying these facts, he is led to the conclusion, that it is in the minute and almost insensible operation of the physical laws he is to find the highest proof of the power of nature, and the largest amount of force. So, too, is it in the social world. To the uninstructed savage, the ship presents most forcibly the idea of commerce. The mere trader finds it in the transport of cargoes of cotton, wheat, or lumber; and in the making of bills of exchange for tens of thousands of dollars, or of pounds. The student of social science, on the contrary, sees it in the exercise of a power of association and combination resulting

from development of the various human faculties, and enabling each and every member of society to exchange his days, hours, and minutes for commodities and things to whose production have been applied the days, hours, and minutes of the various persons with whom he is associated. For that commerce, peace, sixpences, and shillings are required; and in them he finds willing slaves, whose operations bear to those of the ship, the same relation that is elsewhere borne by the little coral insect to the elephant.

It is by means of combination of effort that man advances in civilization. Association brings into activity all the various powers, mental and physical, of the beings of which society is composed, and individuality grows with the growth of the power of combination. That power it is which enables the many who are poor and weak, to triumph over the few who are rich and strong; and therefore it is that men become more free with every advance in wealth and population. To enable them to associate, they need an instrument by help of which the process of composition, decomposition, and recomposition of the various forces may readily be effected; so that while *all* unite to produce the effect desired, *each* may have his share of the benefits thence resulting. That instrument was furnished in those metals which stand almost alone in the fact, that, as Minerva sprang fully armed from the head of Jove, they, wherever found, come forth ready—requiring no elaboration, no alteration, to fit them for the great work for which they were intended, that of enabling men to combine their efforts for filling worthily the post at the head of creation for which they were designed. Of all the instruments at the command of man, there are none that tend in so large a degree to promote individuality on the one hand, and association on the other, as do gold and silver—properly, therefore, denominated THE PRECIOUS METALS.

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